



The GIBS Guide to Sustainability:

Corporate Social Responsibility & Community Projects

Written by Claire Thwaites
Edited by Cara Bouwer

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INTRODUCTION

This publication is the first in a series of practical guides for business education students, business executives, non-profit organisations and small- to medium-sized enterprises which would usually not enjoy access to corporate social investment (CSI) specialists or experts.

This practical guide highlights relevant 'how tos' which answer some of the most pressing social responsibility considerations faced by business today. Written in a question and answer format, the guide allows the reader to delve right into critical issues. Links and references are provided throughout the guide for more in-depth content or additional reading.

SECTION 1 **UNDERSTANDING CSI**

WHAT IS CSI?

At its very core, Corporate Social Investment (CSI) – or Corporate Social Responsibility (CSR), as it is widely termed in the UK and US - is about thinking of business not as an isolated entity but as part of the broader social, economic and political sphere. In our global world this requires a view that goes beyond national or regional interests and encompasses a world view.

Recent world events – from the 2008 global financial crisis to the European sovereign debt crisis – highlight the global nature of doing business. A corporate footprint impacts on employees, customers, suppliers, local communities, shareholders and manufacturing partners. Appreciating this wide reach and influence should inform a company's CSI thinking, taking it beyond simply charitable giving into the realms of positive, sustainable projects which reinforce your corporate brand as well as making a positive imprint in the broader community.

While CSI is not about the bottom line, properly thought out, managed and considered, corporate participation in meaningful CSI projects can and does drive a company's reputation. As *The Economist* magazine noted in 1999: "Companies with an eye on their 'triple bottom line'—economic, environmental and social sustainability—outperform their less fastidious peers on the stock market, according to a new index from Dow Jones and Sustainable Asset Management. The world's top 200 sustainable firms, which appear in the index, outperformed the rest of the pack, particularly those in technology and energy." ¹

Resource Corner:

- Business Link – www.businesslink.gov.uk
- CAF Southern Africa – www.cafsouthernafrica.org
- Corporate Social Responsibility Africa – <http://csrdaily.csrafrica.net>
- Corporate Social Responsibility Newswire – www.csrwire.com
- Corporate Social Responsibility Perceptions Survey 2010 – www.burson-marsteller.com

¹ The Economist, 9th September 1999. Business this week

WHAT IS THE TRIPLE-BOTTOM-LINE?

Endorsed by the United Nations and integral to the progressive standards of corporate governance contained in South Africa's King Reports on Governance for South Africa, this term – often abbreviated as TBL or 3BL – refers to the three pillars of sustainable reporting, namely: people, planet, profits. This term, coined in 1994 by the founder of British consultancy SustainAbility, John Elkington,² hinged on the work of Patrick Geddes, a Scottish 20th century town planner and philanthropist, who stressed the interdependent nature of physical geography, market economics and anthropology.³

The primary reason for the existence of business enterprise is to create value. Traditionally, the notion of value was viewed narrowly as financial value for shareholders. This definition has, however, evolved into the notion of value in terms of the triple-bottom-line; namely social, economic and environmental performance. Today, commentators talk of the triple context in which companies operate or simply the 'context', which embraces all three aspects – people, profit and planet.⁴

The aim of an integrated report is to clearly and concisely tell the organisation's stakeholders about the company, its strategy and risks, linking its financial and sustainability performance in a way that gives stakeholders a holistic view of the organisation and its future prospects. Integrated reporting aims to provide a holistic view of the company by putting its performance and strategy in the context of its relevant social and environmental issues.⁵

In South Africa, King III – which was released in 2009 - has raised the stakes for business in areas such as health and safety, CSI, diversity, environmental impact and the development of human capital.⁶ The 2009 codes continue the socially-minded thrust of business responsibility first laid down in the 1994 King I Report, which went beyond regulator and financial concerns to place ethical, environmental and social responsibility on corporations. This board-based approach was developed further in the 2002 King II Report and is in accord with the country's social transformation agenda and the philosophy behind black economic empowerment (BEE).

Resource Corner:

- To read full King III - <http://www.library.up.ac.za/law/docs/king111report.pdf>
- For a quick summary on King III - <http://www.kpmg.com/za/en/issuesandinsights/articlespublications/risk-compliance/pages/kingiii-quick-reference-guide.aspx>
- For more on integrated reporting: <http://www.sustainabilitysa.org/IntegratedReporting/WhatisanIntegratedReport.aspx>

EVOLUTION OF CSI – WHERE ARE ITS ROOTS & WHERE IS IT GOING?

Contrary to popular opinion that CSI has its foundations in the 1950s and 1960s, the concept actually dates back further, to the Industrial Revolution. While the 1950s saw a rise in the

² The Economist, 17th November 2009. Triple bottom line - It consists of three Ps: profit, people and planet

³ See *Sustainability South Africa's website*, www.sustainabilitysa.org, for further reading.

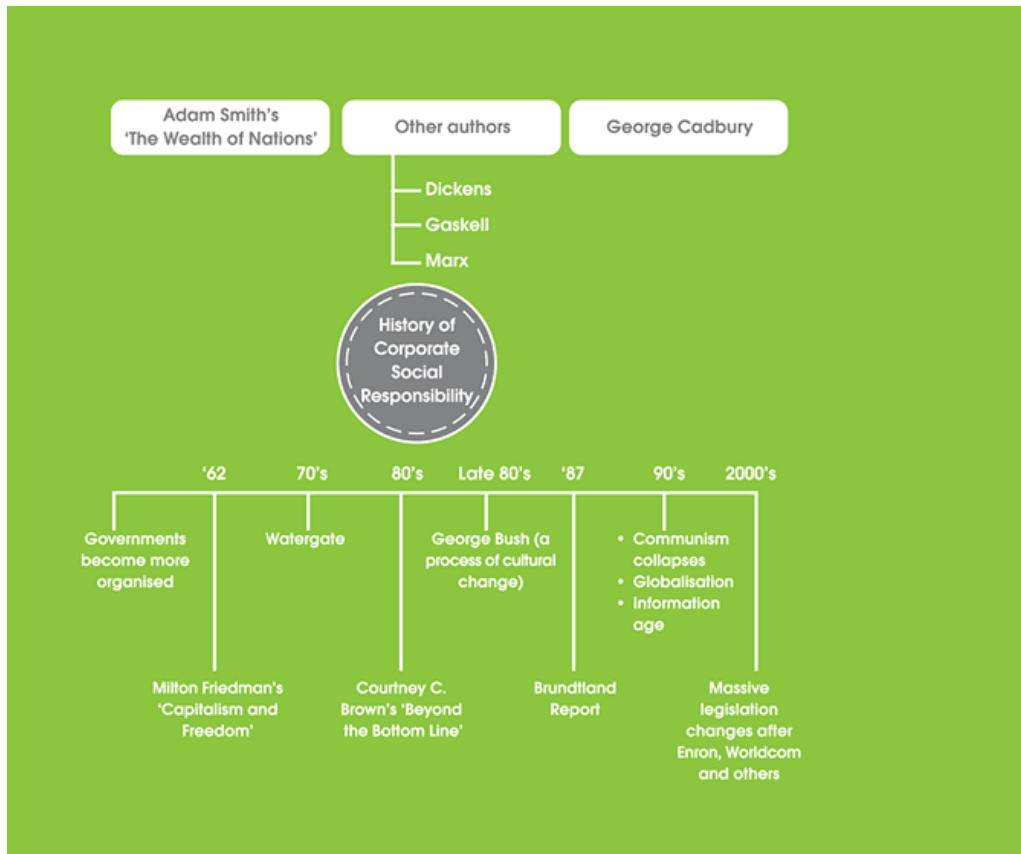
⁴ King III - King Report on Governance for South Africa - 2009

⁵ See *Sustainability South Africa's website*, www.sustainabilitysa.org, for further reading.

⁶ Board Governance in South Africa. (2009). Spencer Stuart.

power and influence of the consumer and the 1960s made the link between economic and political freedom, the seeds were sown in the period from 1750 to 1850.

Sustainability South Africa has put together this handy graph which details the history of CSI, from the writings of Scottish philosopher and economist Adam Smith in the late 18th century (his *pièce de résistance* was *The Wealth of Nations* in 1776) to the socially-minded works of Charles Dickens, Karl Marx and Friedrich Engels in the early 19th century.



Credit: Sustainability South Africa

According to Leigh Roberts, Project Director: Sustainability and Integrated Reporting at the South African Institute of Chartered Accountants (SAICA), “sustainability reporting was the next big move” in the history of CSI as companies adopted globally accepted standards. “It’s time for companies to reflect a wider view of their performance in an integrated report showing the link between a company’s financial performance and its economic, environmental and social performance,” she writes on the Sustainability South Africa website, a SAICA initiative.

The sustainability of an organisation became the focus of CSI – rather than a myopic view of at-arms-length donations to a CEO’s favourite charity - companies started looking at strategic community and environmental investments to ensure the longevity of their organisations. CSI became about investing in and seeing returns on partnerships between companies and non-profit organisations which supported the corporate agenda. Similarly, companies started realising (sometimes in reaction to disasters – see Resource Corner below) that the environmental and social impacts of their business were just as important as the financial performance.

Louise Gardiner, MD of First Principles Sustainability Services (which invests in CSI projects on behalf of clients), says new regulations such as the King III requirements in the Companies Act “demand a specific kind of action, i.e. sustainability committees and integrated reports. But the imperative for sustainability is more about the nature of the world we live in. Sustainability goes to the heart of adaptation and smart risk management in the face of climate change; energy and water shortages; ethical consumerism; resource depletion; poverty, and the rapid loss of our natural environment.”⁷

Resource Corner:

- The insurance industry’s response to Hurricane Katrina – [The Empathy Engine: Turning Customer Service into a Sustainable Advantage](#)
- The Body Shop’s corporate philosophy – http://www.thebodyshop.co.uk/_en/_gb/beauty-lounge/natural-philosophy-booklet.aspx
- Open Sustainability – www.open-sustainability.org
- Sustainability South Africa – www.sustainabilitysa.org
- Tshikulu Social Investments – www.tshikululu.org.za

WHAT IS THE MAIN FOCUS OF CSI SPEND AND PROJECTS IN SOUTH AFRICA?

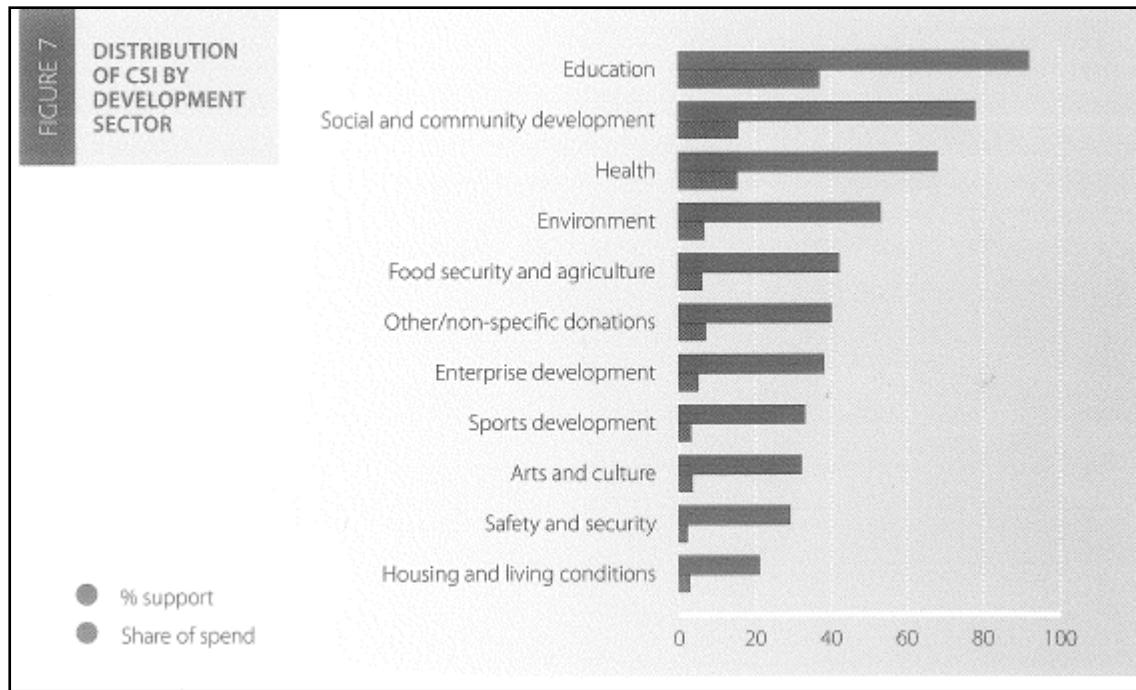
According to research conducted by leading South African consultancy and publisher Trialogue⁸, companies invested R6.2 billion in CSI projects in South Africa in the 2010-11 financial year. Trialogue found that some 70% of this total was allocated through CSI budgets, “with the balance made up of additional contributions of cash, products or services provided by other parts of the business”.

Triologue’s 2011 research found that, in South Africa, companies tended to focus on CSI projects on a national level (37% of total CSI expenditure). The main focus of CSI spend was in the areas of education, social and community development, HIV/Aids and health. In fact, 92% of companies surveyed by Trialogue support education, which receives 36.8% of annual CSI spend in South Africa, compared with 15.2% of spend for health, 15.5% for social and community development, 4.9% for enterprise development and 6.5% for environmental initiatives.

The importance of this giving cannot be overstated. According to Vice-Chancellor and Rector of the University of the Free State, Professor Jonathan Jansen, the importance of independent initiatives – including NPOs, religious communities and voluntary movements – in the revitalisation of schools and the transformation of universities is invaluable.

⁷ The five-minute sustainability brief for CEOs, 2011. Tshikululu Social Investments.

⁸ The CSI Handbook (14th Edition), 2011



Credit: The CSI Handbook (14th Edition)

Resource Corner:

- For more on CSI spend and the opportunities available to corporates for involvement, read: Trialogue's The CSI Handbook (14th Edition) 2011 (Available in the GIBS Information Centre)

WHAT IS RESPONSIBLE CSI & HOW DOES THIS AFFECT CORPORATE REPUTATION?

Responsible, ethical CSI is increasingly relevant both globally and in South Africa, where the impact of the King Codes (King Report on Corporate Governance) is particularly significant. The King Reports I, II and III urge companies towards embracing the triple-bottom-line as a business imperative while balancing social responsibility with shareholder return. It's a delicate balancing act in which corporate reputation is critically important.

In 2004, Richard R. Dolphin, a senior lecturer in marketing at Northampton Business School, conducted an empirical study into corporate reputation strategies in large organisations in the UK which shows the importance of reputation strategies in modern British business over the previous decade and a "dominant focus of those concerned with corporate governance".⁹

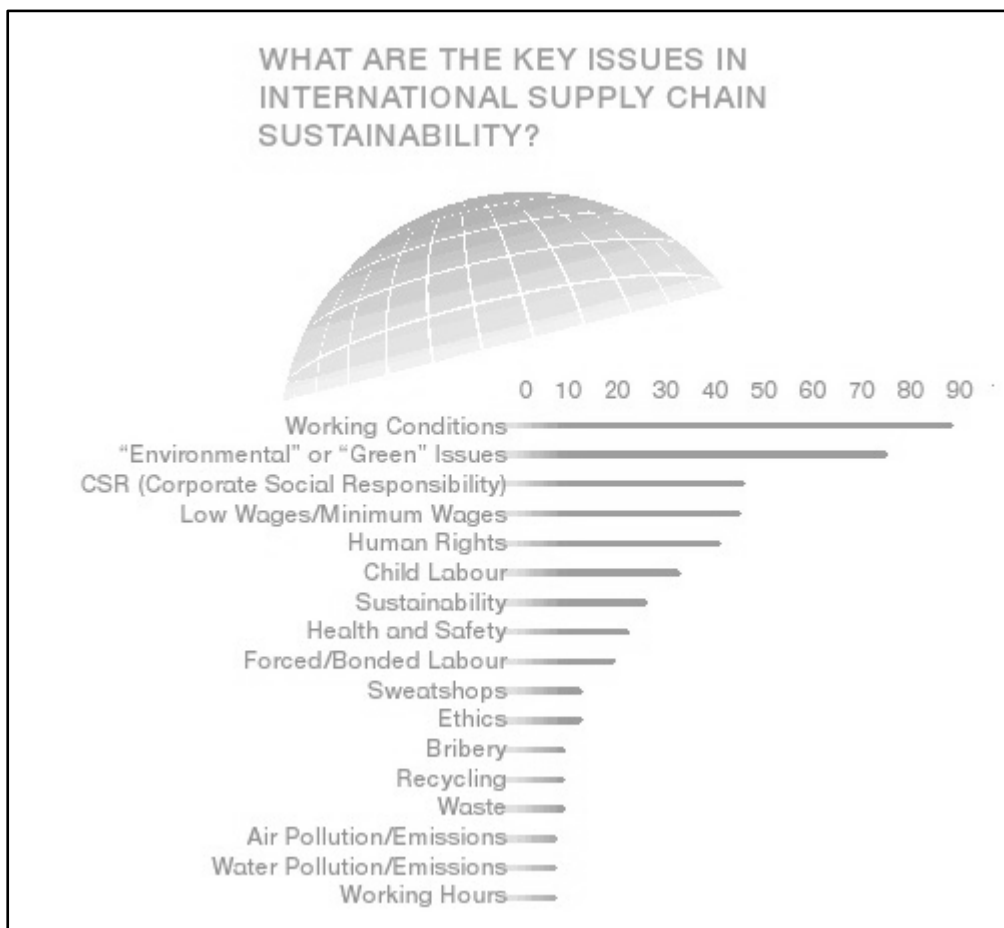
In South Africa the importance of reputational CSI involvement is reflected in the driving force the JSE Ltd plays in the listed-company sphere. The JSE Socially Responsible Investment (SRI) Index has been published annually since its introduction in May 2004 and is the first initiative of its kind from an emerging market bourse. The SRI Index sets down measures for triple-bottom-line performance and highlights sustainability benchmarks and tools.

⁹ Corporate Reputation: A Value Creating Strategy, 2004.

For those companies on the wrong side of corporate governance the reputational risks are not only plentiful but the effects of bad press can linger for years, if not decades. In 1996, sports brand Nike was publicly accused of using child labour in its offshore factories. Criticism endured until 1998 when the company announced long-term measures to improve conditions. Technology company Apple faced renewed criticism in 2011 for a lack of transparency in its supply chain and for alleged environmental indiscretions; the company admitted in 2008 that half of its suppliers of iPhones and iPads didn't pay overtime and one quarter were paying workers just minimum wage. Both companies are still battling perceptions with respect to human rights and ethical business practices.¹⁰

The recent oil spill disaster in the Gulf of Mexico involving British oil company BP is another example, as is Coca-Cola's overexploitation of scarce water resources in India or criticism of Nestlé for selling baby milk powder in countries without reliable access to clean water or sourcing milk from farms owned by Grace Mugabe in Zimbabwe.

Companies should be mindful of the key issues and areas of concern related to sustainability along their supply chain (see graph).



Credit: Managing Sustainable Global Supply Chains

Resource Corner:

¹⁰ Managing Sustainable Global Supply Chains: Framework and Best Practices. NBS Knowledge Centre.

- Coca-Cola: In Hot Water – The World's biggest drinks firm tries to fend off its green critics (The Economist, 2005)
- Avoiding that One Bad Apple: The Importance of Corporate Reputation and some Helpful Hits and Strategies.
- Is Your Company Getting a Bad Rep? The Importance of Corporate Reputation in the Era of Consumer-Generated Media.

WHO DRIVES CSI?

If responsibility for and management of CSI initiatives vests in the marketing department then warning bells should be going off. Why? Because CSI is not a marketing exercise and should not be regarded as such.¹¹

Louise Gardiner, MD of First Principles Sustainability Services, believes that sustainability and CSI must be put squarely on the executive and board agenda. This allows a company to align its CSI activities with corporate needs, risks, issues and opportunities; and invariably adds a strategic element to social involvement.¹²

Outlining the roles and responsibilities for CSI within an organisation is vital, "Sustainability is an exciting topic that can activate morale and innovation across your business. Don't isolate it in one chain of command. Make all executives accountable for an appropriate piece and create a simple integrated action plan that divides activities and responsibilities between different teams and departments."¹³

Some of the departments that could be responsible for the implementation of CSI projects include:

- **Sustainability manager** – This role is usually found in medium to large organisations that have a significant CSI budget. The individual may be responsible for co-ordinating the environmental and social responsibility projects within an organisation. This person usually works with other departments to fulfil their mandate.
- **Operations manager** – This role may look at greening the supply chain, Broad-Based Black Economic Empowerment (BBBEE) relationships and scoring, carbon or water foot printing, greening a building and responsible resource use.
- **Human resources manager** – This role may look at the social impact of the organisation, skills development, community projects, affirmative action and BBBEE and labour practices.

HOW DO CSI BUDGETS WORK?

Your company's CSI contribution should be a minimum of 1% of net profit after taxes (NPAT). In South Africa this is determined according to the Codes of Good Practice of the Broad-Based Black Economic Empowerment (BBBEE) Act which allows five points on the BBBEE Scorecard for achieving this level of expenditure.

While 1% of NPAT is the minimum requirement, Trialogue estimates that South African companies invested R6.2 billion in social programmes and projects in 2010-11; in other words giving 1.4% of NPAT to go beyond the scorecard requirements. This estimate takes into account all corporate contributions to communities, including donations of products and

¹¹ Based on input from Claire Thwaits, Sustainability Manager at the Gordon Institute of Business Science.

¹² The five-minute sustainability brief for CEOs, 2011. Tshikululu Social Investments.

¹³ Louise Gardner, MD of First Principles Sustainability Services.

food as well as infrastructural contributions made by mines, in terms of their social and labour commitments. Of this R6.2 billion, Trialogue estimates that about R4.3 billion was disbursed by CSI departments as part of their budgeted CSI expenditure.¹⁴

¹⁴ The CSI Handbook (14th Edition), 2011

BEE AND CSI – KEY CONSIDERATIONS

The implementation of the Black Economic Empowerment Act of 2003 and Broad-Based Black Economic Empowerment (BBBEE) Act of 2007 have made a significant impact on driving CSI spend in South Africa; creating a legislative framework with makes specific requirements of business. As South Africa's BEE codes have evolved, corporate giving has also advanced beyond purely charitable programmes to strategic investment in social development initiatives.

Over and above the BBBEE Act, South Africa has no CSI-specific regulation; however other legislation also touches on sustainability, social upliftment and corporate responsibility. Several key Acts include:

- **National Black Economic Empowerment Act No. 53 (2003)** – Which sets standards and provides guiding values for CSI implementation, stipulating that companies must address BBBEE in their actions. Only organisations that fulfil the BBBEE criteria can participate in public bid tenders.
- **Mineral and Petroleum Resources Development Act No. 28 (2002)** – Setting down the demand that companies must continuously apply for mining licenses, this legislation hinges licensing renewals to the fulfilment of BBBEE requirements. It also makes companies liable for environmental damage.
- **National Water Act No. 36 (1998)** – Stipulates that water is a national resource and requires that consumers acquire a state license. It also lays down strict rules for keeping water clean.
- **Employment Equity Act No. 55 (1998)** - Forbids unfair treatment in the workplace and specifies programmes for specific groups such as blacks, women, and disabled people.
- **Skills Development Act No. 97 (1998)** – This law requires companies to pay a percentage of their expenditures for salaries and wages to the National Skill Fund, which finances training and training programmes.
- **National Environmental Management Act No. 107 (1998)** – Among other issues relations to access to natural resources, this Act makes companies liable for environmental damage.¹⁵

¹⁵ Corporate Social Responsibility (CSR) and Black Economic Empowerment (BEE) in South Africa, 2011; further reading available via www.csr-weltweit.de/en/laenderprofile/profil/suedafrika/index.nc.html (Germany Embassy, Pretoria)

SECTION 2

IDENTIFYING A CSI PROJECT

FINDING AN NPO – THE ROLE OF UMBRELLA ORGANISATIONS

Due to the regulated nature of NPOs and the legal requirements placed on these bodies, they are increasingly the chief port of call for companies looking to embark on CSI projects. However, identifying an appropriate social project, NPO or charity with which to align your corporate CSI initiative can be complex. As of March 2011 there were 76 175 registered NPOs on the national database. Furthermore, the number of registrations is growing at a rate of almost 15% a year.¹⁶

Navigating this vast number of organisations, as well as the specific legal and operational requirements of NPOs, can be daunting. However, umbrella bodies such as Charities Aid Foundation Southern Africa (CAFSA) do exist to match corporates with community projects which are best aligned to their CSI vision and business strategy.

It is interesting to note that within the NPO sector, calls for great consolidation are growing as organisations appreciate the importance of sharing knowledge and best practice. Full co-operation is still some time off however, as individual NPOs continue to guard their brand identity, funding relationships and intellectual property.¹⁷

THE IMPORTANCE OF A NEEDS ANALYSIS

Applying business thinking and a long-term planning approach to CSI initiatives hinges on fully understanding the expectations of both stakeholders and beneficiaries as well as developing a clear appreciation of the specific needs of the community in which the CSI project is being rolled out. It is all too easy for companies to take a short-sighted view and rubber stamp solutions onto communities; however, taking time to engage with community leaders and NPO staff at the outset of a project will ensure a more focused and directed CSI intervention.

In particular a needs analysis should look at the broader community, regional and – if necessary – provincial implications; addressing issues which are relevant and urgent based on a full understanding of the community in question. If necessary, sometimes a needs-analysis survey should be undertaken in addition to engagement with community leaders. This not only ensures broad buy in to the project but will enable the corporate to gauge the longevity of the project's requirements too.

Another important issue is avoiding replication – try to get in contact with existing NPOs or even partner with other corporates operating in the area to deliver on a project. Doing your research now into the history of the community's need for a project can assist in ensuring long- term project success, ensure alignment of objectives, and critically, avoid repeating someone else's mistakes.

DEFINING THE STAKEHOLDERS

A CSI initiative is only as strong as the relationship between the various stakeholders involved in the project; both within the organisation and outside. Managing the different

¹⁶ State of South African NPO Register, 2010-11.

¹⁷ Tshikululu CEO Tracy Henry (Business Day, January 2012).

considerations and concerns of all parties is a time-consuming and vital part of managing any CSI project, and one which often receives very little acknowledgement and attention.

Within the organisation the demand by shareholders for profits, growth and ROI may impact on management in terms of the allocated budget for socially responsible initiatives or even sustainable business practices, such as paying fair wages and ensuring an environmental awareness behind all activities. In challenging economic environments the pressure and influence of these stakeholders can have a very real impact on CSI and the triple-bottom-line.

Another issue is the relationships between CSI and the NPO stakeholder. "These NPOs, which form a third sector in addition to government and business, have in recent years become increasingly active in fields such as welfare, environmental protection, and education, and are in the process of establishing various relationships, as stakeholders, with the CSR actually carried out by corporations," writes Nobuyuki Tokoro in a 2006 article in *Asian Business & Management*.

"As the aims and organisations of profit-making companies and NPOs are fundamentally different, there is little mutual understanding, and their relationships are therefore usually considered to be antagonistic or distant. When companies pollute the environment or have poor working conditions through prioritizing the pursuit of profit, they are sometimes vigorously criticized or aggressively exposed by NPOs."¹⁸

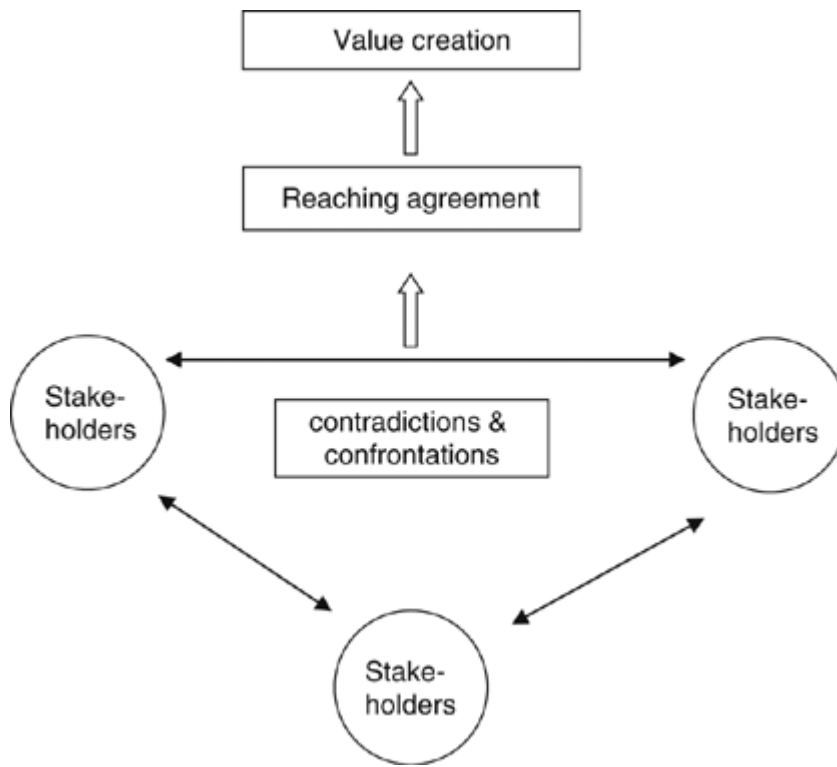
Tokoro recommends that companies design a dialogue system which takes into account internal and external stakeholders and which "acknowledges the existence of important stakeholders, and then analyses its connections with them, involving an understanding of the details of their and its activities".

The typical stakeholders in a CSI project include:

- **The project sponsor** – The corporate citizen or business which is investing the project
- **The in-house team** – Those individuals within the organisation who have a stake and a say in the project but who may not 'get their hands' dirty in terms of day-to-day running of the project. This group may include executives with a more strategic view of the project.
- **The NPO** – Often an umbrella body which works with the company and provides a legal and statutory body with which corporations can work.
- **The project team** - Comprising corporate and NPO representatives who come together to work on the project; these key personnel will drive the project forward and this is the overlap where the greatest potential for success and friction will exist.
- **The beneficiaries** – The people, environment or community that benefit on-the-ground from the project.

If these parties work together in harmony and towards a common goal then, argues Tokoro, real value creation will emerge from the co-operation (see illustration).

¹⁸ Tokoro, N. (2006). Stakeholders and Corporate Social Responsibility (CSR): A New Perspective on the Structure of Relationships. *Asian Business & Management*.



DEFINING YOUR CSI INTERVENTION – WHY?

Linked to the importance of an up-front needs analysis, is taking time to define a CSI project's scope, scale and time frame. According to a *Deutsches Institut für Entwicklungspolitik* report on CSI in South Africa: "It becomes clear that the stakeholders' contribution to the transformation process is vital: while the perspectives between stakeholders and company may occasionally be conflicting, there is also much common ground for dialogue and cooperation."¹⁹

Managing stakeholder relationships is clearly grounded in effective engagement between all parties, which boosts the CSI project's likelihood of success and also provides an invaluable tool for the company to gather strategic intelligence of its own, which may increase the firm's understanding of its own risk environment.²⁰ Among the key questions that can be answered by engaging with stakeholders on a particular social issue are:

- What is the issue or problem?
- How complex is it?
- What is its scope?
- Who else has an interest in the problem?
- What is working and not working in the current approach?
- What would be accomplished by engaging others in the dialogue?

THE PROCESS

Each CSI project is unique and implementation thereof needs to take account of different characteristics and circumstances. However, implementing CSI in a systematic and

¹⁹ Corporate Social Responsibility and Black Economic Empowerment in South Africa, 2011.

²⁰ Corporate Social Responsibility as Risk Management: A Model for Multinationals, 2005.

methodical way is beneficial to both the corporate and the NPO or charity organisation in question.

Potential One, an Israeli social change initiative, outlines a five-step action plan for CSI implementation:

- **Envision** – How will you know you've succeeded? Setting goals, targets and milestones.
- **Engage** – Who influences the outcome? Identifying internal and external stakeholders, understanding roles in the process of planning and implementation.
- **Map** – Where are you going? Taking into account all data, strengths, weaknesses, opportunities, risks, benefits and sensitivities, this next step is to define the intervention.
- **Perform** – How do you know you are on track to succeed? Determining how to measure achievements and targets.
- **Measure** – How do you prove your success? Bringing all aspects together looking at original goals and targets and assessing the impact as well as highlighting aspects for improvement.

SECTION 3

WORKING WITH NPOS

THE TOP QUESTIONS YOU NEED TO ASK BEFORE WORKING WITH AN NPO

Considering the important reputational implications of entering into a partnership with a charity or NPO, it is critical that corporates properly and robustly vet would-be partners to determine an appropriate fit. Applying standards upfront will help determine the success of the partnership in the long term. John Friedman, co-founder of the Sustainable Business Network of Washington,²¹ recommends asking the following questions of an NPO before entering into a CSI relationship:

- **Is the NPO's mission aligned to your long-term vision?** Beware aligning with organisations that are diametrically opposed to your business or business model. Sometimes the old adage of keeping your enemies closer doesn't work.
- **Are you operationally compatible?** Look beyond the logic and consider how your organization will maintain the relationship with the NPO at grassroots, be critical upfront.
- **Can the partnership be used to engage and inspire employees?** Simply writing a cheque will not capture the attention of employees or encourage them to engage with the initiative; however a relationship which "involves your core products and services can be a great reminder to your workforce of the value their work has every day to people in the community and around the world", says Friedman.
- **What will the return-on-investment impact be?** In other words, what will the visible outcome of the partnership be? It's critical that employees and stakeholders can see measured results.
- **Is the project a strategic use of resources?** CSI has moved on from simple heart-based giving, says Friedman. "Employees, shareholders, suppliers and the community will understand and respect a strategic programme more than being told that the support is based on one individual's (or even a group's) emotional decision."
- **What is the NPO's track record with other corporations?** Do your homework. While some NPOs are open to working with business others are less trusting of the corporate agenda. Similarly, companies need to be open to the way philanthropic organisations work.
- **Determine what is the NPOs true mission?** "Entering a partnership based simply on the organization's reputation may ultimately lead to stressful situations," says Friedman. If a NPOs underlying mission is too radical or too diametrically opposed to the company's, no matter how respected, the organisation should walk away. Always undertake due diligence in terms of potential CSI partners – remember the corporate is making an investment in an outcome, therefore they have a right to expect a fair 'return' on that investment, i.e. a successful project implementation
- **How does the NPO fund itself?** Ask this question and follow up by asking to see their annual report and financials. Any reputable organisation will freely and openly share this information. If not, warning bells should go off.
- **Does the NPO conform to all the legal requirements?** All NPOs in South Africa should be registered in terms of the NPO Act in order to open a bank account, is your partner? If not, dig deeper.
- **Is the NPO credible and worthy?** Companies cannot afford to partner with an NPO which suddenly makes news headlines due to financial mismanagement or the

²¹ Eight Questions to Ask Before Working with an NGO, 2011.

conduct of its executives. Again, do your homework up front and don't be afraid to dig below the surface – this includes asking about directors and executives: What is their experience? What is their reputation? Check on their legal and business history as well as the creditworthiness.

- **Do any of your employees or suppliers have an interest in the NPO?** While it is not uncommon for employees or suppliers to participate in community work, do ensure that you are clear about these declarations of interest or involvement upfront. Make sure there isn't a conflict of interest or a personal benefit gain for an employee or supplier, which would contravene good governance.

Resource Corner:

- Southern African NGO Network – www.ngopulse.org
- CAF Southern Africa – www.cafsouthernafrica.org
- Corporate Social Responsibility Africa – <http://csrdaily.csrafrica.net>
- Corporate Social Responsibility Newswire – www.csrwire.com
- Inyathelo: The South African Institute for Advancement – www.inyathelo.org.za
- Developing Good Governance Practices in the SA NPO Sector (Department of Social Development)
- Governance Practices of National Non-Profit Bodies and National Networking Organisations in South Africa (Department of Social Development)

WHAT ARE THE LEGAL REQUIREMENTS NPOs MUST FOLLOW?

Along with strategic and operational questions, corporations should determine up-front the legal status and compliance of the NPO partner. Some key considerations include²²:

- Non-profit organisations are governed in South Africa by the Non-Profit Organisations Act No. 71 of 1997.
- There are different types of philanthropic bodies in terms of legal status: Voluntary associations, non-profit companies and non-profit trusts. Voluntary associations are the most popular, being quick and inexpensive to set up. The NPO Directorate reports that 95% of organisations registered in terms of the NPO Act are voluntary associations.
- Voluntary associations cannot open a bank account unless they are registered in terms of the NPO Act. So, until an NPO receives a certificate of registration it cannot receive funds into its own bank account and cannot apply for approval as a public benefit organisation either, because this requires banking particulars.

The NPO also has specific requirements in terms of tax. NPOs that conform to the legal requirements enjoy the status of 18A. The main tax benefits available to NPOs are:²³

- Being fully exempt from paying income tax if it carries out no or limited trading activities. And being partially exempted from paying income tax in situations where its trading income exceeds the limitations contained in Section 10 (1) (cN).
- Being able to receive donor deductible contributions. Only approved public benefit organisations (PBOs) with status in terms of section 18A can issue receipts to their donors for donations received which will allow the donors to make deductions from their taxable income. (Note: If you want to invest in an organisation that can provide you with a tax exemption, confirm this detail upfront).

²² See Tax Benefits for Approved Public Benefit Organisations, 2001, by Ricardo Wyngaard. Carried on the Southern African NGO Network (SANGONet) website: www.ngopulse.org.

²³ See Tax Benefits for Approved Public Benefit Organisations, 2001, by Ricardo Wyngaard (www.ngopulse.org)

- Accessing other tax benefits that are reliant on the organisation's PBO status. These include exemptions from transfer duty, estate duty, capital gains tax, donations tax, the skills development levy and dividends tax.²⁴

TAX IMPLICATIONS FOR DONORS

It is simply not true that donors can claim money back at 100% of the donation. In terms of the Income Tax Act donors will not be taxed on that portion of their income which they have donated – up to the level of 10% of their taxable income.²⁵

Furthermore, employee donors are now entitled to receive PAYE tax relief on a monthly basis for donations to organisations that are eligible in terms of Section 18A of the Income Tax Act (up to 5% of remuneration).²⁶

AGREEING ON REPORTING LINES

The CSI Handbook highlights a growing trend towards the formalisation of a working partnership between NPOs and corporates. Increasingly companies are entering into contracts through a Memorandum of Understanding or equivalent. The significance of this formalization is not only around the longevity of projects but the avoidance of a duplication of effort with the corporate, the assessment and understanding of the availability of resources and the clear reporting lines between the two bodies, as well as pre-agreed outcomes.

In particular, the report emphasizes the growing tendency in corporates to run CSI initiatives via project management. "Less than half of CSI programmes have appointed a marketing and communications person specifically for CSI. Typically communications support is provided by other departments within the business."²⁷

LEAVING EXPECTATIONS AT THE DOOR – CULTURAL SENSITIVITY

Bringing a corporate approach to community CSI projects can backfire. It is, therefore, essential the project teams look to building partnerships with NPOs rather than dictating terms.²⁸ This view is echoed by NPOs surveyed by Trialogue²⁹ when NPOs made the following suggestions to improve the impact of CSI projects:

- Improved corporate understanding of development work.
- Support not only for covering running costs and salaries, but also for capacity-building, monitoring and evaluation and marketing.
- Better communication from the corporate sector, particularly information on CSI objectives and funding parameters. NPOs suggested this information be carried on company websites.
- Marketing of CSI activities that focus on developmental work rather than promoting corporate public relations.
- Assistance with capacity-building, business mentorship, opportunities for interns, or the provision of other services (eg IT support, finance and training).
- Longer-term commitment to projects.

²⁴ The Nonprofit Organisations Act 71 of 1997.

²⁵ Note: This only applies to Public Benefit Organisations (PBOs) and not all NPOs.

²⁶ Charities Aid Foundation Southern Africa

²⁷ The CSI Handbook (14th Edition), 2011.

²⁸ Based on input from Claire Thwaits, Sustainability Manager at the Gordon Institute of Business Science

²⁹ The CSI Handbook (14th Edition), 2011.

- More regular interaction, dialogue and site visits; after which feedback should be given.
- Support for existing projects that are proven to meet development needs; rather than new projects being set up to meet corporate requirements.

AGREEING A MEASUREMENT OF SUCCESS

Although often neglected as part of CSI planning, establishing clear determinants of success is essential if projects are to be assessed, improved upon and, in many instances, repeated. Perhaps the biggest reason behind gauging success lies with the implications for a company's reputation.

Following these simple tips can help you to better measure the success of your CSI project:

- Benchmark your business against others.
- Publish your CSI reports online.
- Establish key performance indicators (KPIs) upfront with the organization with which you'll be working.³⁰

MONITORING & EVALUATION

One way to ensure your CSI project ultimately ticks all the boxes is to apply the sort of monitoring and evaluation thinking advocated by groups such as Charities Evaluation Services in the UK. They advocate adopting a five-step approach:

- **Step 1** – What are your aims? Determine what you want to change up front.
- **Step 2** – What are your objectives? What activities do you need to carry out to achieve your aims? In other words: how will you bring about change?
- **Step 3** – What are your performance indicators? These are the on-going points you'll check and monitor throughout the project. They'll help you to determine if you go off course.
- **Step 4** – Monitoring: How well are you doing? Monitoring should be routine and systematic; telling you if you are making a difference and where you need to spend more time, effort and money.
- **Step 5** – Evaluation: What changes have you made? Look back to your aims and objectives, all the information you've collected and the make a serious judgement about the success of your project.³¹

Charities Evaluation Services also suggests you run through this checklist frequently throughout the project to double check that the project is on track and that the aims are front of mind:

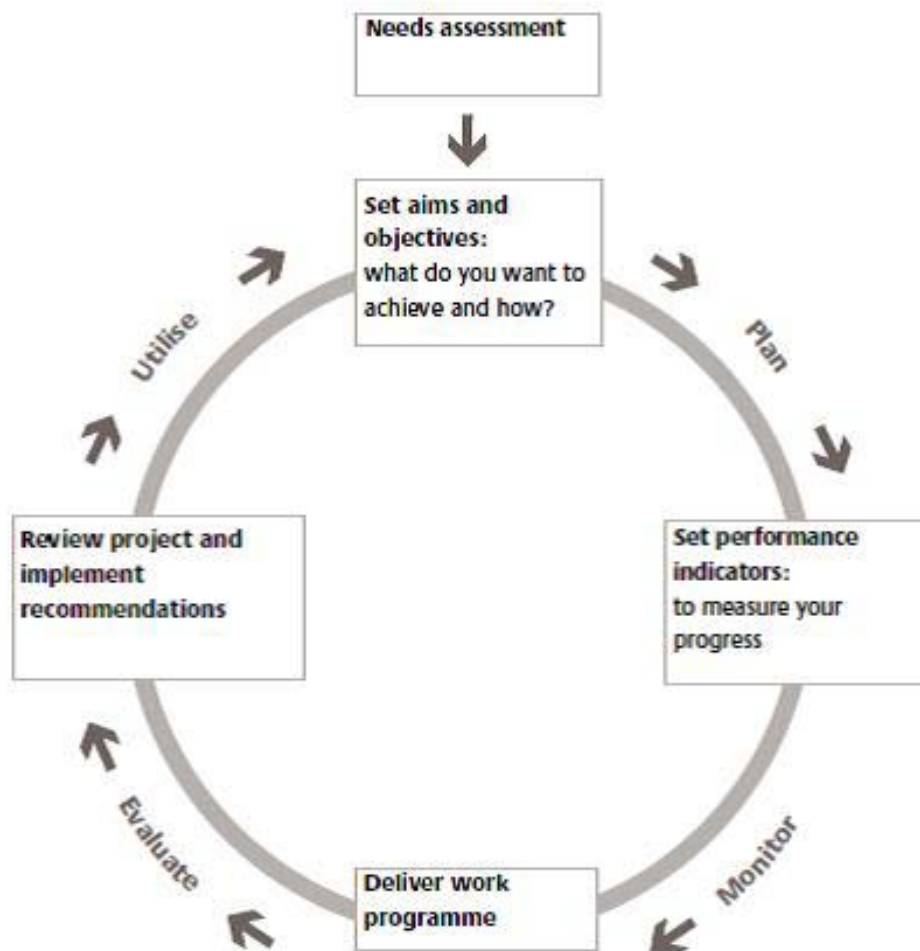
- **Use language that will be helpful.**
People tend to use verbs that describe change when setting their aims (e.g. to increase, to promote, to improve)
- **Be clear about your target group.**
Who are you working with? What groups or group will change or benefit from the project?
- **Be clear about the geographical area in which you will be working.**

³⁰ Courtesy of Business Link, a UK business resource portal (www.businesslink.gov.uk).

³¹ First Steps in Monitoring and Evaluation. Charities Evaluation Services.

Define the area as well as the group to prevent any confusion once the project is moving ahead.

- **Make sure everyone in the project is clear about the aims.**
Ensure that everyone understands the intention of each aim and objective. Try to involve as many people as possible during the process of setting your aims to ensure all ideas are taken into account.
- **Be realistic.**
Remember your core business and workload; don't set too many indicators and be realistic about the people and resources at your disposal.
- **Choose the most important indicators.**
It is easy to collect swathes of data, but in reality you only need the information which speaks to your evaluation questions and your aims. Be focused in terms of what information you collect for evaluation. When presenting outcomes information ensure that it presented in user-friendly manner.



Credit: First Steps in Monitoring and Evaluation (Charities Evaluation Services)

Resource Centre:

- Tshikululu Social Investments – www.tshikululu.org.za

- Charities Evaluation Services - www.ces-vol.org.uk
- SANGONet – www.ngopulse.org

SECTION 4

THE NITTY GRITTY OF CSI

WHAT ARE THE LEGAL IMPLICATIONS OF CSI?

In an increasingly litigious society it would be foolhardy to ignore the potential – both current and future – of specific CSI projects for corporate givers. “A company which is fully apprised of its legal responsibilities and ensures that it acts in accordance with those legal responsibilities is likely to be responsible under CSR principles,” believes Christopher Tung, of Asia-Pacific law firm Mallesons Stephen Jaques.³²

Tung stresses that companies looking to engage in CSI practices need to consider the following:

- Whether the company’s current and future business activities are consistent with CSI practices.
- The extent to which those practices are consistent within existing laws.
- The legal impact of statement made under CSI codes of practice or existing legislation.
- Any legal risks which may arise or increase once the level of transparency of the activities of the company are reported in terms of sustainability reporting.

As corporates increasingly enter into CSI partnerships and projects it is perhaps inevitable that additional laws will come on-stream. “There is an increasing appreciation of the emerging field of sustainable development law and the crucial role that it will play in CSR and the wider sustainable development issues,” writes Tung.

WHAT LEVEL OF EMPLOYEE INVOLVEMENT IS NECESSARY?

Passionate employees are major engines for innovative ideas and projects. However, criticism emerges when employee community involvement morphs from the stated intention and focus of the CSI project into a staff entertainment or team-building exercise.³³

Companies can enlist the assistance of quality consultancy companies and independent experts to help them quickly and effectively identify the core issues and correct solutions. However, beyond that the donor corporation needs to be sensitive to the impact of unstructured employee volunteerism on the charity or NPO as well as the effect of time off for key employees and the potential impact on the core business.

Bridgit Evans, CEO of the GreaterGood Group, says corporations should approach NPOs as partners, giving them the option to turn down employee volunteering or drawing up a brief for staff who wish to get involved, including commitment duration and expectations as well as reporting lines. “True sustainable development happens through a commitment over time, therefore it would logically follow that the most effective volunteering results from the establishment of meaningful connection and relationships,” says Evans. “While these kinds of volunteering options are more time consuming, they are also very rewarding for both parties.”³⁴

³² The Legal Implications of CSR: Changing Landscape of Liability, 2006.

³³ Louise Gardiner, MD of First Principles Sustainability Services, writing for Tshikululu Social Investments.

³⁴ Full article appears in The CSI Handbook (14th Edition), 2011.

SHOULD INNOVATION BE A PART OF CSI THINKING?

Absolutely. According to Harvard Business School Professor Rosabeth Moss Kanter³⁵: “Companies that are breaking the mould are moving beyond corporate social responsibility to social innovation. These companies are the vanguard of the new paradigm. They view community needs as opportunities to develop ideas and demonstrate business technologies, to find and serve new markets, and to solve longstanding business problems.”

A report by the Copenhagen Business School into innovation in Nordic countries certainly demonstrates a link between innovation in the CSI space and greater business innovation. “Most firms conceptualise CSR primarily as a tool to reduce risks and operational cost,” says the report. “A Gallup survey from 2005 shows that 26% of Danish small- and medium-sized enterprises report that CSR influences innovation of their business. However, in practice few of these firms use CSR as a strategic driver for innovation.”³⁶

The overriding view of academics and social entrepreneurs is that innovation is the next wave of CSI’s evolution. Liam Black and Adrian Simpson, the creators of the Wavelength initiative, assist companies to increase their social impact. They believe: “CSR is dead. Giving money to charity, staff volunteering, painting the community centre – all good things but peripheral to the business. They don’t lead to the creation of new products and services, differentiate your brand, engage your people or achieve lasting social or environmental impact.”³⁷

Black and Simpson believe the answers to the world’s biggest social challenges will not be found by governments, charities or NGOs alone. “Increasingly big companies are creating new business models, new products and services that deliver lasting, financially viable solutions to the big problems we face. We call this corporate social innovation and we believe it’s the future of business.”

WHAT IS “GREENWASHING” AND HOW TO AVOID IT?

While social development and community-upliftment CSI projects have tended to dominate the South African landscape since 1994, the debate around ‘green’, environmental, agricultural and climate change issues has catapulted this area of giving into the spotlight.

Hennie Stoffberg and Paul Prinsloo make the point in *Climate Change: A Guide for Corporates*, that “corporations increasingly will also be subjected to carbon audits, including the possibility of penalties and climate change tax. But the corporate response needs to move beyond compliance. Climate change has, in fact, become a boardroom management challenge.” Indeed, Prinsloo and Stoffberg put responsibility for ‘green’ CSI engagements firmly at board level and with the exco, in order to drive a clear strategic agenda around environmental matters.

However, in recent years, ‘green’ CSI gone wrong has become a battle ground for NPOs and corporates engaged in what is termed ‘greenwashing’. Greenwashing is a marketing attempt to promote the perception that a company is ‘green’ or environmentally friendly. The

³⁵ Kanter holds the Ernest L. Arbuckle Professorship at Harvard Business School where she specialises in strategy, innovation, and leadership for change.

³⁶ CSR-Driven Innovation, 2008.

³⁷ Corporate Social Responsibility is Dead: Long Live Corporate Social Innovation, by Tim Drainin. Social Innovation Generation. 2010.

term is generally used when significantly more money or time has been spent advertising being green (that is, operating with consideration for the environment), rather than spending resources on environmentally sound practices.

EnviroMedia Social Marketing - which runs the Greenwashing Index - defines 'greenwashing' as a "co-ordinated attempt to hide unpleasant facts, especially in the political context". There is a significant risk to a company's reputation and credibility by 'greenwashing' their products or services. Increasingly the mislabelling of both corporate values and CSI initiatives is becoming a very real threat to corporate reputations and their right to operate if exposed, especially with regard to fines by Advertising Standards Authorities, legislation protecting consumers and even lending requirements by financial institutions.

Resource Centre:

- Greenwashing Index - www.greenwashingindex.com/
- Greenpeace - <http://stopgreenwash.org/>
- Business Ethics - www.businessethics.ca/greenwashing

WATCH OUT FOR ...

There are, of course, other mistakes which can potentially trip up a CSI project. A handful of easy-to-make mistakes include:

- **Lack of vision** – Too often CSI projects are based on a company's current focus and strategy, with no forward-looking vision on which to hinge the engagement.
- **Scale of change** – In many cases companies cannot reconcile the organizational change which CSI may require; there will be an impact on the bottom line and managerial thinking.
- **Sub-strategic management** – Often CSI strategy is handled separately from that of the broader corporate strategy, causing misalignment of the corporate message.
- **Lack of innovation** – Because of an often siloed approach to CSI, companies fail to learn from community-engagement initiatives and harness valuable learnings from CSI projects.
- **Selective hearing** – Without proper accountability and strategic focus, input from various stakeholders may go unnoticed; to the detriment of the company and the intervention.
- **Maintaining old structures** – CSI is evolving and greater stakeholder engagement is crucial; traditional managerial approaches are no longer best suited to these initiatives and may need to be addressed.
- **'One World' approaches** – Excessive uniformity is an almost universal mistake in CSI initiatives which fails to take into consideration community, country and cultural differences. **Inconsistent message** – CSI behaviour must be aligned to the company's real practices and values; approaching CSI as simply an image enhancer, rather than as a tool to address deep-seated convictions, will backfire.
- **Non-participative management** – Managing CSI through a network of 'change champions' is often regarded as best practice, although this is rarely practiced, often because of inadequate skills and poor internal communication. These individuals should, typically, be good at identifying, packaging and selling CSI ideas and innovations within their company and to stakeholders.³⁸

³⁸ For more reading on this, refer to Wayne Visser's *CSR Managers as Champions of Change*, 2006.

- **Failure to see CSI as innovation** – Continuous innovation that links corporate responsibility to a company's business model is the ideal, say the authors. Unfortunately few companies fully appreciate this link.³⁹

³⁹ Take from a 2006 article by Michael Blok, Vernon Jennings, Deborah Leipziger and Nigel Room, from Dutch company Anders & Winst, entitled Corporate Responsibility Failings: A how-not-to guide.

SECTION 5

FOLLOW THROUGH

SEEING YOUR PROJECT THROUGH TO THE END

Longevity in terms of CSI commitment is essential to achieving the goals of a project and ensuring a positive conclusion for both the corporate and the charity or NPO. However, while monitoring and evaluation (M&E) are gaining momentum in CSI project implementation the full benefits are still to be grasped. This, believes Tshikululu Social Investment's M&E specialist Mokibelo Ntshabeleng, can be attributed to a number of factors, including associated costs, inadequate project planning, and the fact that it is not fully understood or appreciated. "As a result, many social investments go unmeasured, and this can have unfortunate ramifications."⁴⁰

She argues that if social investment is not measured there is no way of screening out ineffective practices. If there is no evaluation then donors cannot see their return on investment and NPOs cannot verify results and claims. Therefore, ending a CSI project before a thorough M&E has been conducted c both the short-term nature of the project and its possible long-term implications.

"CSI is predicated on the understanding that it is possible to encourage work that makes real, tangible and positive changes in the lives of disadvantaged people, and in order for those changes to take root and become part of a long-term solution; they should be measurable and communicable," argues Ntshabeleng.

ASSESSING THE IMPACT OF YOUR CSI PROJECT

Can your company answer the following questions about its CSI project: What portion of the budget was allocated to on-the-ground concerns? Did the spend achieve the required impact in the community? Did the company's money make a visible and meaningful difference?

If you can't qualify these issues and measure the impact of interventions beyond the financial cost, then your CSI project is missing a critical factor.

As with any investment, a business needs to monitor and evaluate its return on social spend in order to determine the impact a programme is having, say CSI experts Jerushah Rangasami and Nicky van Hille.⁴¹ They say that a good rule of thumb in terms of budgeting for M&E is to allocate 10-15% of the full budget towards these activities. "With pilot projects, which require intensive M&E to assess whether new models work, the M&E budget may be more. Donors might consider investing more in M&E when funding new projects to get a sense of whether the project should receive additional funding."

Only by conducting detailed and proper qualitative and quantitative research into the impact of CSI projects can a company determine if the overall objectives of the involvement has been worthwhile and effective.

A robust social investment strategy starts with the following elements, which should be recapped and kept at front of mind from start to finish:

⁴⁰ Mokibelo Ntshabeleng full 2001 article can be read on the Tshikululu Social Investments website.

⁴¹ Read Van Hille and Rangasami's full article in Trialogue's The CSI Handbook (14th Edition), 2011.

- **Clearly defined goals** – from the start the desired impact of the project should be defined for both the community and the company.
- **Impact on the community** – what are the real, visible benefits to the community?
- **Identifying social issues** – these may impact on the company's core business and should be identified upfront and solutions identified.
- **Robust risk assessment** – both for the company and the community.
- **Comprehensive M&E programme** – this allows the company to continually track progress and the impact of the project. ⁴²

REPORTING BACK

While some 70% of Fortune 1000 companies in the USA speak about CSI – or corporate social responsibility – only about 27% actually produce a formal CSR report back on activities. ⁴³

When it comes to the South African situation, companies fare much better with KPMG's biennial survey of sustainability report in South African companies showing that 86% of South African firms include some level of sustainability reporting in their annual reports or issue an independent report on CSI projects. According to Sustainability SA: "This reflects the influence of the King Code for Corporate Governance, which recommends reporting on sustainability and is a listing requirement of the JSE." ⁴⁴

Ideally publicity for CSI projects would be easy to come by, signalling good stories and positive outcomes. However, particularly in the South African context, these angles are not being sought out or covered extensively in the local media. Trialogue's Nick Rockey says that "in the absence of proactive journalism, if companies want to attract mainstream attention they will have to assist the media in joining the dots between society's pressing issues and the companies' developmental efforts". ⁴⁵

Rockey believes a more 'strategic' approach to communicating the impact of CSI projects is needed. In the absence of formal report backs on initiatives, a targeted communication plan which tailors the message to the right audience is the most effective tool. Increasingly the impact of social media – such as Facebook and Twitter – are providing a communication outlet.

⁴² Van Hille and Rangasami, The CSI Handbook (14th Edition), 2011.

⁴³ Statistics courtesy of CSR Hub, a free website tool which rates major North American, European and Asian companies in terms of sustainability and CSI.

⁴⁴ KPMG's International Survey of Corporate Responsibility Reporting; www.sustainabilitysa.org

⁴⁵ The CSI Handbook (14th Edition), 2011

SECTION 6

CSI IN ACTION – CASE STUDY

There are a number of South African companies doing impressive things when it comes to CSI initiatives. Colleen du Toit, CEO of CAF Southern Africa⁴⁶, highlights just one – the FirstRand Volunteers – which was launched in 2003 to facilitate and support the community building efforts of employees across all divisions of the banking group (www.firststrandvolunteers.co.za): FirstRand, First National Bank, Rand Merchant Bank and WesBank. In the run-up to Employee Volunteer Week 2012, the programme launched its Group Winter Warmer Drive.

The beauty of the Winter Warmer Drive is the multi-pronged nature of the initiative, which involves staff but also benefits from a clear goal, a defined time-frame, clear deliverables and full corporate support. The banking group rolled out the Winter Warmer Drive on 7th March 2012 in Sandton and, in conjunction with a Knit-Athon, hosted in the staff canteen to knit or purchase beanies and blankets for distribution to schools during the winter months. To give their employees management support, FirstRand CEO Sizwe Nxasana joined employees to knit beanies and blankets. Employees were matched R1 for R1 for all donations.

Critically the Winter Warmer Drive was not a one-off initiative involving the FirstRand Volunteers, below are just some of the other projects which are supported throughout the year, a mixture of short-term and long-term projects which require differing levels of staff support and involvement. Some initiatives, such as the support for the **Edsa Frail Care and Community Centre**, is about spending time with residents while others, like the **1in1out BreakThrough Skills Development and Agricultural Centre** programme, is of longer duration. The 1in1out programme sees WesBank employees planning indigenous fruit and shade trees which were purchased thanks to funds raised by FirstRand cyclists during the COP17 Cycle Challenge in November 2011.

Other projects include:

- **Nokuphila Primary School, Modderfontein** - Staff spend time with the learners and do shirt painting with them.
- **Lethabong Early Learning Centre, Zwavelpoort** – The centre provides early childhood development education to children aged 2-6 who live in the Lethabong squatter camp. The centre employs staff from the community while volunteers help with classroom decoration and painting.
- **Crèche in Mooiplaas community** - A team of volunteers has been working with the Mooiplaas community for more than two years. They have helped create a successful and sustainable permaculture garden; the produce of which helps to feed the children at the crèche. The Mooiplaas volunteers manage and maintain the food garden.
- **Bathabile** – This organisation aims to uplift, empower poverty stricken families. The centre also assists informal settlements in Johannesburg with a high incidence of HIV/AIDS. A team of volunteers will help build a compost heap for the disposal of waste.
- **Bottom Primary School, Slovoville** – Another on-going project, WesBank volunteers have been supporting the school for two years and have assisted with recycling initiatives, teaching the learners crafts and hosting a Craft Day during which

⁴⁶ www.cafsouthernafrica.org

learners had the opportunity to sell their items to WesBank staff; they raised over R26 000.

SECTION 7

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